



UGANDA ANIMAL FEEDS MANUFACTURERS ASSOCIATION
CHAIRMAN'S REPORT 2022/2023



AIMABLE MBARUSHIMANA
Chairperson, UGAFMA

The Chairman's Report is an opportunity to summarize the world and local economic events that impact our day today means of life. With so many challenges, that are not beautiful. The first case of COVID-19 was confirmed in Uganda on March 21st 2020 and a country wide lockdown was declared on March 20th 2020. Directives were put out to implement the lockdown. A little over two years ago, most of us expected chaos and lockdowns to last for weeks until the new Ebola Virus out now. It is not always attractive picture because there are so many challenges ahead.

Just over two years ago, due to the COVID-19 outbreak, most of us expected the disruption and lockdown to last for weeks, or at most a month or two. Now, more than two years later still treats of COVID-19 are still around, international fuel crises; seriously impacting on the consumption and production of agricultural products. The war in Ukraine and its substantial impact on the world economy, grain availability and prices, and its noteworthy impact on energy costs in countries such as Europe.

At the local level, continued service delivery and infrastructure outages, political uncertainty, continued commodity and fuel price hikes, rising cost pressures on consumers, poor land development, and growing social unrest can be added to the list of assignments poor performance Ugandan shilling.

Widespread controversial decisions on anti-dumping duties, Ebola Virus and more have expanded the list of challenges facing economic and agricultural value chains. In summary, both





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internationally and regionally, the pace of change and disruption continues to accelerate. It's really hard there.

With all of that said, the key question remains: What can we do about all of this?

On Sunday 9th October 2022 During the 60th Anniversary of Uganda's Independency H.E.

Yoweri Kaguta Museveni, made the following remarks "What is most infuriating, however, are the comprador bourgeoisie (agents of foreign interests) in Africa, who do two things. First of all, they oppose our value addition efforts, so as to frustrate our industrialization efforts.

Secondly, they are always importing everything from outside, including trivialities like dead people's hair. It is these processes, that have stunted Africa's growth. It is a scandal, if there were people to recognize real scandals. The global value for trade in coffee is US\$460 billion.

The coffee-growing Countries get only US\$25 billion and Africa gets US\$2.5 billion Uganda taking US\$800 million. The global automobile business is US\$2.86 trillion; Africa's share is

30.44 billion. The global pharmaceutical business is US\$ 1.42 trillion; Africa's share is US\$16 billion. The global business for furniture is US\$654.20 billion; Africa's share is US\$4.86 billion.

The global business for textiles is US\$ 1 trillion; Africa's share is US\$ 31 billion. this, that

prompts me to ask the Question: "Are there professors of economics in Africa?" Of course, it

should be the political leaders that should evolve policies about these issues. The question,

however, is: "If the political actors do not see this hemorrhage, why should the academicians not

see it? Are they not supposed to scan the global system as to what is going on where and why?"

Are professors and academicians, not supposed to use their knowledge to see what is good or

bad for their people? It is a tragedy.

Here, in Uganda, we have had to fight the neo-colonial politicians, civil servants, parasitic

importing merchants, on account of this hemorrhage. Through struggle, we have caused vertical

integration in some sectors outlined here below:

(1) Maize - to produce maize flour (akahuunga); animal feeds; and we are targeting starch

and ethanol. (2) Milk - processed liquid milk, ghee, butter, powdered milk, casein proteins,

cheese, yoghurt (3) Cotton - textiles, vegetable oil, animal feeds, gun-powder being planned.

African market is flooded by dead people's clothes (emichwijuro) from the USA and Europe

known as second hand clothes - thereby exporting money and jobs. (4) Sugar cane (ebikoijo)

raw sugar, industrial sugar, ethanol, rum, animal feeds, electricity. (6) Fish - Fish fillet

(there are 14 factories

operating now); Nile Perch maw is being developed as a big export earner. (9) Sorghum - beer





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brewing. (17) Palm oil - soap; cooking oil. (18) Sesame seeds (sim sim) - Cooking oil; soap manufacture. "

This powerful quote from H.E. Yoweri Kaguta Museveni, The President of the Republic of Uganda re-echoes the paper by Current Permanent Secretary and Secretary to the Treasury, Ministry of Finance, Planning and Economic Development, Republic of Uganda. Hon. Ramathan Ggoobi. The only way for us as a nation to develop is through import substitution and adding value to our raw materials before export.

UGAFMA has been vocal on its strategies on how we as a nation can achieve these goals.

"The key lesson from successful industrializers is not to just author good strategy papers and investment codes; rather is building a strong bureaucracy and total government system that supports the whole value chain for manufacturers." But most importantly the need to align with the other stakeholders around the common goals. The stakeholders like Grain farmers, soybean processors, feed manufacturers, governments and others facing challenges major grain and feed consumers, such as the piggery and poultry industries, and how they can play a role in helping them. I have a better understanding of what we can do. It's not always easy. The goals are ambitious and even impossible for some. And I respect that.

In order for us an industry to develop we need a lot more people to join the arena, ignoring unproductive critics pointing where they have stumbled rather empowering them to how they can do better.

In the short-term goals, the private sector to make sure they supply quality feed elements; When Uganda as a country understands that we need to make a difference between Animal Feeds and Human Feeds, in doing these humans will not compete with animals for the same elements; Maize, Soya bean and Silverfish we need to make and gazette areas with in business areas in Uganda for people dealing in Animal Feeds. We need to make Animal Feeds a commodity. However, to start this we need to improve quality, quantity and pricing of Silverfish, Maize and Soya. preventing entries of silverfish (Mukene) with all of sand. Grain farmers preventing sales of raw maize; the maize growers should partner up with maize crushing or millers and nation we export posho flour, the maize broken or maize bran to stay with in Uganda. Same as for soybean, oil should be exported but the soybean cake to remain for feed manufacturers in Uganda.



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My final request is to call to take action in building our country through import substitution. This can only be achieved when the private sector guides the policy makers about the bottle necks we encounter in our sector. Regular interaction and co-operation of the value chain partners. I believe that even in the face of headwinds, by joining forces with many like-minded partners in the value chain, we can grow and progress.

Yours truly,

Aimable Mbarushimana.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned below the name.

**Operations Director, Murwana J Peter Stores Ltd.
Chairman, Uganda Animal Feeds Manufacturers Association.**



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Vision.

UGAFMA has been crafting and re-shaping its Strategy to be more outwards focused – “to unlock growth in the local agriculture value chain” through being more inclusive through fostering partnerships and close cooperation with fellow value chain partners. Due to its unique positioning within these value chains and continuously shaping and building on UGAFMA’s vision, it is truly giving full meaning to;

“The dynamic animal feed thought leader influencing food security through partnerships with all stakeholders”

To remain relevant in any economic sector, an organization or company needs to stay sustainable. Therefore, long-term partnerships within the various value chains should be fostered to ensure this.

Ultimately, the overarching goal in these partnerships is to ensure that sustainable growth is unlocked for all value chain partners – **“any chain is only as strong as its weakest link”**, highlighting the importance that the health and resilience of all links should be nurtured and developed to their optimum, ensuring an efficient and sustainable value chain.

Value chain partner

Due to being an essential service as one of the pivotal role players in various value chains and cross-cutting value chains ensuring Uganda’s food security, UGAFMA finds itself central in the following value chains:

- Poultry value chain;
- Grains value chain;
- Oilseeds value chain;
- Livestock value chain;
- Strategic Agricultural Inputs value chain (SAIF); and
- Services Value chain.



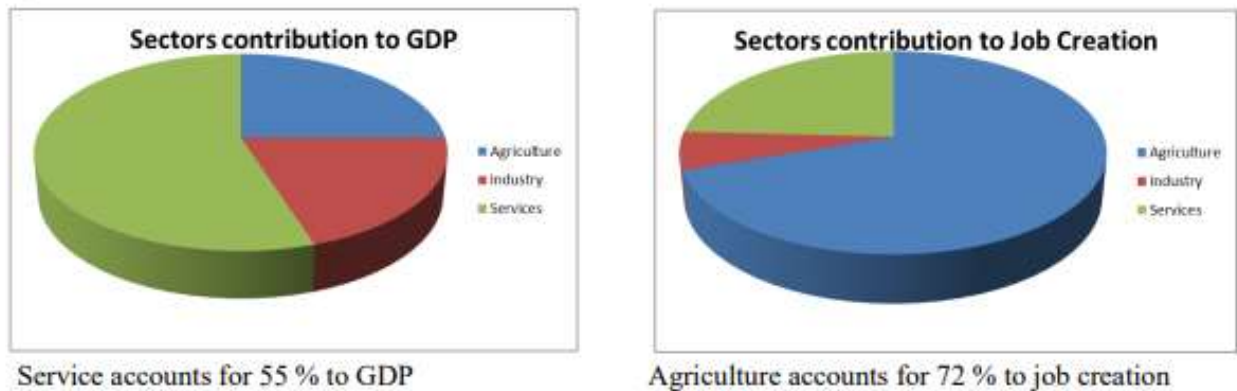


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Strategic focus

To strengthen UGAFMA's strategic efforts and have the necessary knowledge and background of the different value chain inter-linkages, the UGAFMA Board commissioned

Figure 3: Sector Contribution to GDP and Job creation



a Strategic Study on the Uganda Feed Industry by the Uganda National Bureau of Standards (UNBS).

UGAFMA's benefit of being centrally integrated as a value chain partner to several other value chains is indicated by the UNBS illustration of Agriculture's contribution to the National GDP of 2019 (see figure 3 on the opposite page).

The UGAFMA strategic focus will thus be on the core factors influencing the cost of raw materials and feed ingredients, which add up to 75% to 85% of the final feed cost.

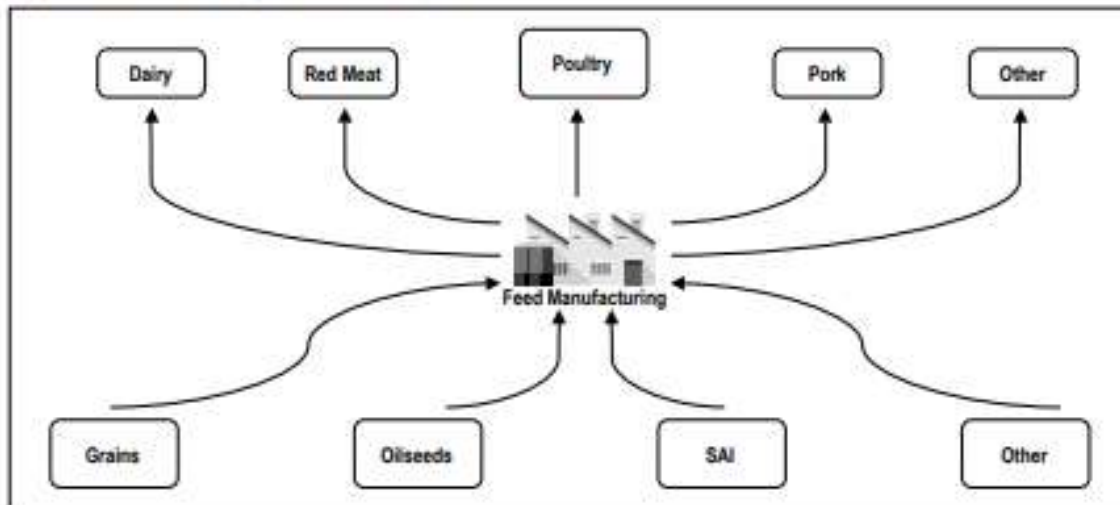
UGAFMA will remain a key partner in the grains and oilseeds value chains, exploring all possible options to increase the effectiveness and competitiveness of its members' clients.





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FIGURE 2: ANIMAL FEED VALUE CHAIN PARTNERS



Besides being involved in the raw material supply side, UGAFMA is a critical supporting industry in the SAPMAP, supporting the Uganda poultry industry, its largest client. From a feed perspective, the main goal is parallel to the poultry development and expansion, ensuring sufficient feed and raw materials are available at all times.

UGAFMA closely cooperates with Grain UG and other grains and oilseeds value chain partners to execute the above. Critical in this role is to ensure enough maize and soy products are available due to UGAFMA being the largest single group of processors of maize and soy products in Uganda, primarily destined for poultry.

Agriculture Sector Strategic Plan (ASSP)

The ASSP Framework Document, which has been the top priority to all agricultural social partners since 2020 and overshadowed all agricultural-related activities ever since has finally been signed off by the Minister of Agriculture in Parliament in 2021.

Vision of the ASSP

Government initiated the ASSP as a social compacting mechanism to address the structural constraints to inclusive growth within the sector. Its vision is to build an agriculture and agro-processing sector that is inclusive, competitive, job-creating, sustainable and growing. An inclusive and thriving agricultural and rural economy is aligned with the vision in chapter six of the National Development Plan (NDP). The NDP in 2012 introduced a three-tier growth strategy





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with the most significant opportunity for agricultural growth as follows:

- under-utilized farming areas in former homeland areas and land reform projects;
- expansion of export-driven high-value crops and investment in integrated value chains;
- growing the agro-processing industry to promote transformation for inclusive growth, transformation, and job creation.

Strategic objectives

In support of the vision for agriculture and agro-processing, the core focus for the ASSP can be drafted as follows:

- Increase food security in Uganda;
- Promote sustainable transformation in the agriculture and agro-processing sectors;
- Improve access to local and export markets, which will require constant upgrades in the quality of supply to bolster Uganda's competitiveness;
- Enhance competitiveness and entrepreneurship opportunities through technological innovation, infrastructure construction and digitalization;
- Create an effective farmer support system and agro-processing incentives;
- Create decent, growing and inclusive employment, in addition to improving working conditions and fair wages in the sector;
- Improve the safety of the farming community and reduce stock and crop thefts and farm attacks;
- Create a capable state and enabling policy environment; and
- Enhance resilience to the effects of climate change and promote sustainable management of natural resources and principles of just energy transition.

ASSP pillars for the program of action

The ASSP is a sectoral growth strategy that sets out a series of immediate and medium-term actions needed to enable inclusive growth and sustainable job creation in the agriculture and rural economies. The Strategic Plan provides recommendations for addressing policy constraints, infrastructure, market shortages, and structural weaknesses that induce inefficiencies and limited transformation in the agricultural and food value chains. Interventions and reforms under the Strategic Plan can be divided into six pillars:

- (i) Resolving policy ambiguities and creating an investment-friendly environment





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- (ii) Investing in and maintaining an enabling infrastructure critical to industry, such as electricity, roads, rail and ports.
- (iii) Providing comprehensive farmer assistance, development finance, R&D (Research and Development) and extension services.
- (iv) Improving food security, increasing production and employment and ensuring decency and inclusivity.
- (v) Facilitating market expansion, improving market access, and promoting trade.
- (vi) Improving localized food production, reducing imports and expanding agro-processing exports.

The ASSP implementation will take place via a Value Chain Round Tables (VCRTs) model designed for each Cluster. All relevant stakeholders will be invited to participate and contribute to the more significant Cluster negotiated outcomes.

UGAFMA will be taking part in three of the seven VCRTs:

- Field crops;
- Animal & animal products; and
- Agro-processing.

SOYA VALUE CHAIN

Initial Soya Value Chain (SVC) discussions started in 2020 as part of the Sunflower, Soybean and Soy Food Forum (SSSF), tabling strategic matters of the SVC as a collective, with a vision of cooperating toward the development of a Uganda Soya Strategy which will benefit and unlock value to all stakeholders in the SVC and related segments in Agriculture.

The frequency of engagement initially started slow but has increased as more partners joined the discussions, which gave way to a natural process of shaping the discussion agenda to take this discussion forum forward in the best possible manner.

The current agenda covers the following:

Seed Cultivars and Research

– Discussing the latest cultivars available. The Agricultural Technology and Agribusiness Advisory Services (ATAAS) plays a significant custodian role in collecting voluntary levies paid by producers to invest in the research and development of improved higher yielding cultivars.





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Farm Level Economics

– Covering producer matters that impact the production, the quality and the traceability of the product, topics include, i.e., product moisture levels on delivery; input costs per ha.; plant diseases; improved farming practices for specific regions, etc.

Market and Integrated Value Chain Matters

– Covering matters:

- Soya bean oil content and SBM (Soy Bean Meal) quality;
- Impact of import duties on the value chain;
- Investigation of local soy, SBM, sunflower and sunflower oilcake futures contracts to be traded on the USE (Uganda Securities Exchange) commodities market; and
- Research into economical delivery and transportation of soy and soy products.

Soya Strategy

– After considering all factors in play, a draft UG Soy Strategic Framework is being shaped by leading stakeholders, but it remains work in progress.

However, although not finished yet and still an enormous task at hand, a consensus was reached on some critical principle matters to be addressed:

- Although striving towards this, Uganda should become a surplus-producing soybean industry;
- Introducing higher-yielding cultivars with increased quality characteristics should always remain a focus;
- The trade duty regime should, for the time being, remain unchanged; and
- In cooperation with other value chains and the government, the soy value chain should keep exploring the improvement of the current transport possibilities or investigate alternatives to facilitate a higher level of competitiveness against imports.

The necessary items to jointly drive the SVC as a collective to the benefit of all stakeholders in the short, medium, and long term were identified as:

- Inclusiveness – Joint discussion and joint decision-making;
- Informed – Latest information and research at hand;
- Understanding – Stakeholder differences and challenges;
- Coordination – Approach when addressing issues;





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- Transparency – Specifically referencing pricing platform and mechanism;
- Communication – Clear and comprehensive;
- Accommodating – Ability to understand other's views;
- Commitment – All stakeholders to the SVC process; and
- Good faith – Benefits to all stakeholders of the SVC.

It is jointly agreed that should a matter arise that pertains to the interest of the entire SVC, concerns would be tabled at the collective SVC to address and investigate possible solutions as a collective to be resolved to the benefit of all SVC stakeholders.

THE CURRENT GLOBAL AND DOMESTIC ECONOMIC CONDITIONS

The year 2021 ended with a promise of a potential recovery of the global economy, with the International Monetary Fund (IMF) forecasting global growth of 4,9% in 2022, following a solid recovery of 6,1% in 2021. But this picture quickly changed when Russia invaded Ukraine, triggering a disruption in the global supply chains and a sharp increase in oil, fertilizer, and agricultural commodity prices. This was also when there were rising concerns of inflationary risks in the developed world and the long persistent impact of COVID-19 and monkeypox, which had continued to disrupt the supply chains, specifically in Asia, where there were still hard lockdowns in much of this year.

The IMF now forecasts global growth at 3,2% (revised down from the previous estimate of 4,9%). The economy will likely remain depressed through 2023, as the IMF places global growth at 2,9% for the year. Several shocks will continue to weigh on the global economy, such as; higher-than-expected inflation worldwide – especially in the United States and major European economies – triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID-19 outbreaks and lockdowns; and further negative spillovers from the war in Ukraine.

The central banks worldwide are adamant about controlling inflation and ensuring that inflation expectations remain anchored to their target. Thus, their credibility is rebuilt following their misdiagnosis of the recent surge in inflation as temporary. Effectively, central banks seem to have accepted that if the economy has to be in recession as a consequence of their policy actions to bring inflation under control, so be it. Peak interest rates in the seven largest advanced economies are expected to be reached by September 2023, which implies that consumers and businesses are in for a hard time with higher interest rates over the next six to 18 months. In fact, the advanced economies will slow to 2,5% growth in 2022 (from a pre-war estimate of





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4,4%) and 5,2% in 2021. In 2023, the advanced world will continue to underperform, estimated to grow at 1,4%. The United States, Euro Area, UK and Canada are amongst the economies that will underperform due to the shocks mentioned above. A slowdown in the developed world will likely mean a decline in the demand for goods and, therefore, exports from emerging markets. Such conditions will probably weigh down export-oriented economies such as Uganda.

The IMF currently forecasts growth in emerging and developing Asia at 4,6% in 2022 (from pre-war estimates of 5,2%), and 5,0 in 2023. This is a far better slowdown than what is observed in the developed world. The Asian countries and the likes of Saudi Arabia in the Middle East and Nigeria in the Sub-Saharan region will be amongst the leading countries in this anticipated solid recovery. In the latter two countries, Saudi Arabia and Nigeria, the higher oil prices have improved their income.

On the domestic front, Uganda has been one of the countries hard hit by the COVID-19 pandemic and the disruptions in the supply chains. Still, the year 2021, as the domestic economy opened, promised a recovery with the economy growing by 4.6% according to projections from the World Bank. As a small open economy, global economic developments tend to hit the Ugandan economy the hardest. As such, South Africa could see a continuous slowdown to 2.3% in 2022 and 1.4% in 2023.

These global shocks occur in an environment where there are already several challenges, such as the slow-paced implementation of economic reforms that were outlined by the National Development Plan. The electricity outages, inefficiency in the rail network, poorly maintained roads and water infrastructure, and non-performing municipalities are some of the issues that continue to constrain business activity and, thus, growth in the Ugandan economy.

The growth mentioned above implies that the Ugandan economy won't be able to create sufficient jobs for its working population over the foreseeable future. Hence, the country will be trapped in an environment of low growth, high unemployment, and inequality for some time. Such conditions could lead to social discomforts across communities, which could subsequently impact business activity.





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	2021	2022	2023
Global GDP (%)	6.1	3.2	2.9
Advanced economies GDP (%)	5.2	2.5	1.4
Emerging market and developing economies GDP (%)	6.8	3.6	3.9

Source: International Monetary Fund

Sub-Saharan Africa

Like most regions of the world, the Sub-Saharan Africa region's economies are expected to slow, although not at the same levels as the advanced world. The region faces new economic threats, including various new variants of COVID-19, global inflation, supply disruptions and climate shocks. These challenges are compounded by Russia's invasion of Ukraine, which has led to increasing international prices on commodities, particularly food staples, fertilizers, oil and gas. These are essential inputs in the region where agriculture remains a significant share of the economies.

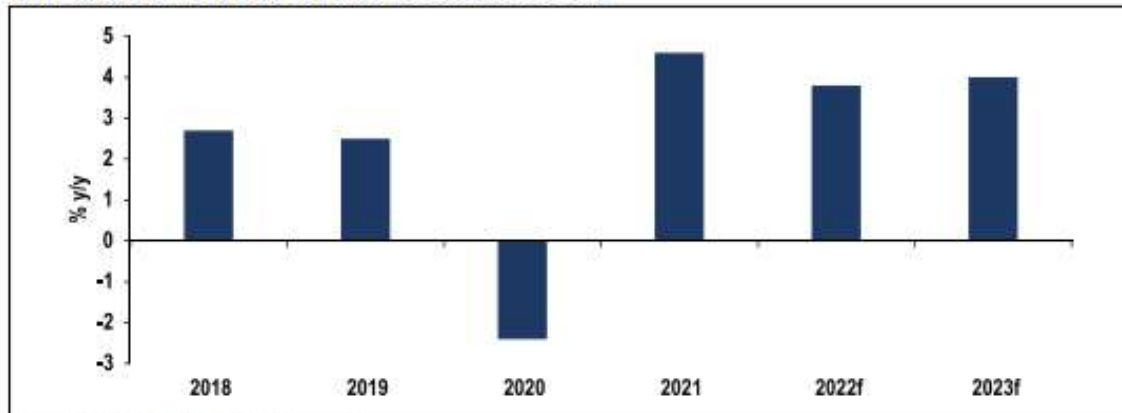
The regional economy is forecasted to decelerate from 4% to 3.6% in 2022 and is estimated at 3.9% in 2023. The growth deceleration in 2022 reflects the aforementioned several short-term headwinds, the slowdown in the global economy, lingering effects of the coronavirus pandemic, elevated inflation, rising financial risks owing to high public debts reaching unsustainable levels, continued supply disruptions, and the war in Ukraine (Figure 4). The major regional economies – Nigeria, South Africa and Angola – are expected to grow at 3.4%, 2.3%, and 2.7%, respectively.





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FIGURE 4: SUB-SAHARAN AFRICA'S ECONOMIC GROWTH PROSPECTS



Source: World Bank, IMF and Agbiz Research

Global inflation rates

Inflation is a major topic in the global financial world this year. There are several factors behind this surge in inflation. First, the disruptions in the supply chains during the COVID-19 intense period and the rising shipping costs were the core challenge leading to an uptick in global inflation. Second, the economic stimulus in 2021 and partly in 2021 in the advanced economies such as the United States, Germany, United Kingdom, and other countries, through unemployment wages and various forms, have resulted in an increase in consumer spending. This, in turn, has led to an uptick in consumer price inflation which in 2021 and into 2022. Thirdly, the war in Ukraine further exacerbated the supply chain glitches and an increase in the oil and food process, thus pushing up inflation across the world. The World Bank currently forecasts consumer price inflation in the advanced economies at 6.6% y/y in 2021, a notable acceleration from 3.1% y/y in 2021, as illustrated in Table B.

In the emerging world, there is also an uptick in inflation, partly driven by an increase in food and energy prices, directly linked to the Russia and Ukraine war. The available data shows that consumer price inflation for the emerging markets accelerated to around 9.5% y/y in 2022, from 5.9% y/y in the previous year. The forecasts for 2023, however, show moderation to 7.3% y/y (Table B).





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Year-on-year	2021	2022	2023
Advanced economies (%)	3,1	6,6	3,3
Emerging markets and developing economies (%)	5,9	9,5	7,3

Source: International Monetary Fund

On the domestic front (Uganda), there are also risks of rising inflation, although at a much softer pace than in other regions of the world. The forecasts from the Central Bank (Bank of Uganda) suggest that consumer price inflation could average 6,8% in 2022 (compared to 3.7% y/y in 2021), and accelerate further slowdown to 5,7% in 2023. This elevated inflation path has led to a sharp increase in interest rates since the start of the year. The Bank of Uganda will likely keep interest rates elevated over the next coming year as the Bank tries to control inflation. The expected moderation in inflation to 5.7% in 2023 assumes an environment of elevated interest rates to bring inflation down below its upper bound of 6.0% (the lower bound is 3.0%)

Unemployment

The world of work has changed since the start of the COVID-19 pandemic. The income support to households in the developed world has incentivized people to stay out of work, especially work that was typically in undesirable conditions. But this income stimulus stopped at the end of 2021 in most countries. Still, the population had devised other means of self-employment when there was a boost in household incomes. This meant that countries such as the United States continue to struggle to find workers for various low-income jobs.

In other countries, the increasing costs of living, as reflected by the rising inflation, have persuaded people back to the labor market. Still, some struggle to find work, especially in economies that are strained and experiencing low growth. It is for these reasons that unemployment across the world has remained at fairly higher levels, as illustrated in Table C.

	2020	2021	2022	2023
Global	6,6	6,2	5,9	5,7
Upper-middle-income countries	6,7	6,7	6,6	6,3
Low-income countries	5,6	5,9	6,0	5,7

Source: International Labour Office

In Uganda, unemployment remains one of the major challenges. In the first quarter of 2022, Uganda's official unemployment rate was 3.10%. Moreover, the unemployment rate, according





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to the expanded definition, was 5.0%. While Uganda has always had an unemployment challenge, the COVID-19 pandemic has exacerbated the challenge. The closure of businesses and the economic shock thereafter have led to this notable rise in unemployment. Importantly, the slow growth prospects for the coming years also imply that the job prospects in Uganda will remain dim.

On a sectoral level, Uganda's 2021/22 agricultural production season started on a rough footing. The excessive rains in various regions of the country damaged some field crops and vegetables and necessitated replanting. There were also reports of the continuous spread of the foot-and-mouth disease. And thus, some feared that the effects of the rough start of the year would show in primary agriculture job numbers.

Positively, the official data from Statistics Uganda shows a 4% year-on-year improvement in primary agriculture jobs in the first quarter of 2022. The increased activity on farms during the replanting process, combined with the decent deciduous fruit harvest, supported employment. Other subsectors, such as livestock, also contributed to employment. The subsectors that shaved employment during this period were forestry and aquaculture (lake and coastal fishing and fish farms).

With expectations of good weather, summer grains and oilseeds harvests, and fairly good activity in other subsectors of agriculture, it is plausible that Uganda's primary agriculture employment could remain at these robust levels this year. The livestock and wool industries, which are confronted by rising feed costs and foot-and-mouth disease outbreaks are in uncertain territory and worth close monitoring.

Other subsectors of agriculture face general challenges around the inadequate functioning of network industries – roads, rail, ports, water, and electricity, and poorly functioning municipalities, leading to an increase in the costs of doing business. Moreover, the challenging economic conditions in the country have, in some areas, led to labor unrest, which also requires a close eye. Still, one can be positive about agriculture's ability to provide employment even in these challenging times.

Global grains and oilseeds outlook

The International Grains Council (IGC) forecasts 2022/23 global grains production at 2,3 billion tons, which is down by 2% from the previous season (**Figure 6**). This decline in harvest is mainly due to expected lower harvest in Ukraine, the US, and Euro Area, amongst other regions.

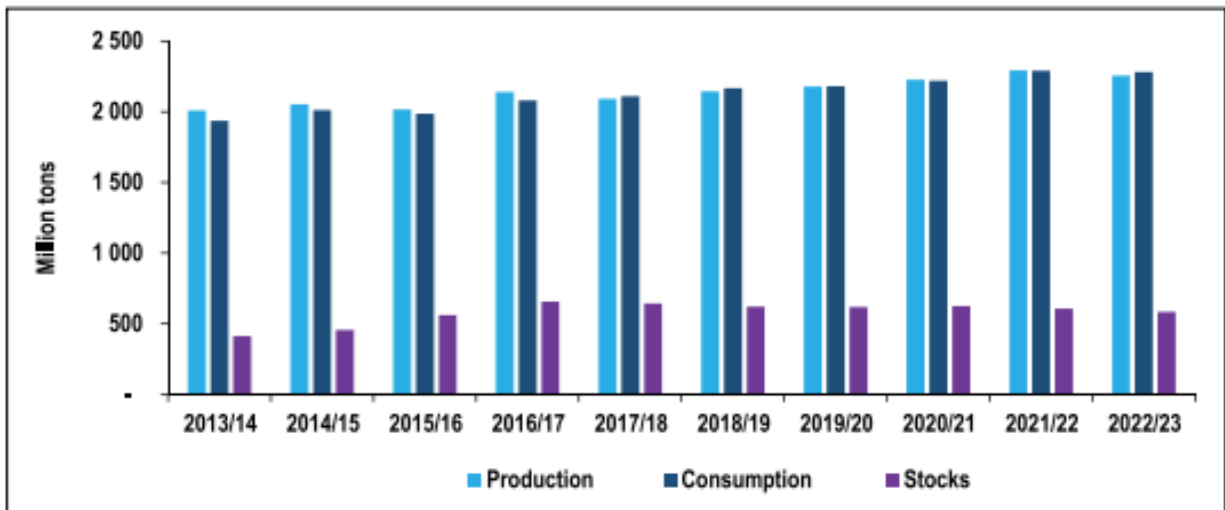




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From a commodities perspective, maize and wheat are the key drivers of the potential decline in global grain production. And thus, the global grains stocks could fall notably this year, estimated at 583 million tons, a 4% annual decline. This is a result of both declines in production and firm consumption levels. These dynamics will add upward pressure on grain prices over the medium term. Still, the grain prices will come off the levels seen after Russia invaded Ukraine when there was anxiety in the market

FIGURE 6: GLOBAL GRAINS AND OILSEEDS SUPPLY AND DEMAND



Source: International Grains Council and Agbiz Research

Maize

The IGC forecasts the 2022/23 global maize production at a new peak of 1.2 billion tons, down by 2% from the previous season. This is on the back of an expected deterioration in the harvest in the United States, Ukraine, Euro Area, and India. While the production will likely come off, the consumption of maize could remain firm at 1.2 million tons. About 712 million tons are for feed use, while the rest is for food and industrial use. This means that the global maize stocks could also soften, set to fall by 5% year-on-year, estimated at 271 million tons. As such, the global maize prices could remain at elevated levels over the foreseeable future, although at much lower levels than months after Russia had invaded Ukraine. The animal feed industry will likely remain under pressure at such times, as prices are unlikely to decline back to the 2019 levels. There are also still risks of a further downward revision of the global maize harvest. The 2022/23





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maize crop is currently at its growing stages in the northern hemisphere, which means the weather is an important factor to monitor in the coming months since it will continue to influence crop conditions and whether the forecast 1.2 billion tons harvest materializes. For much of July and into August 2022, there were numerous reports of a heatwave across the Euro Area, the United States, and Asia. The actual impact of the harsh weather conditions on the maize crop is yet to transpire. There is evidence that the heat has weighed down the crop-growing conditions in the aforementioned regions.

In the southern hemisphere, however, the 2022/23 maize season's planting will only begin around October. The long-term weather forecasts, specifically for Uganda, look favorable.

Wheat

Moreover, the IGC now forecasts the 2022/23 global wheat production at 770 million tons, down by 1% from the previous season. Meanwhile, global wheat consumption is expected to remain firm, mildly up by 0,2% from the 2021/22 season, and estimated at 780 million tons. The animal feed share in this global wheat consumption is forecast at 144 million tons. This volume is not all that different from the previous seasons. The rest is for food and industrial use.

The decline in broad global harvest is underpinned by expectations of a poor crop in some regions of the Euro Area, Australia, Ukraine, Argentina, China and India. As a consequence of increased production, the 2022/23 global wheat stocks are forecast at 272 million tons, down by 3% from the previous season.

This decline in stocks is yet another factor that could keep wheat prices somewhat elevated compared with the levels seen in 2019. The prices, however, will likely fall from the levels seen months after Russia invaded Ukraine, a major wheat producer.

The importing countries such as Uganda will feel the impact of the elevated prices. South Africa imports roughly 50% of its annual wheat consumption. In 2020, Uganda imported \$119M in Wheat, becoming the 69th largest importer of Wheat in the world. At the same year, Wheat was the 6th most imported product in Uganda. Uganda imports Wheat primarily from: Russia (\$41.9M), Argentina (\$31.3M), Ukraine (\$15.1M), Germany (\$13.8M), and Lithuania (\$4.83M). The major wheat suppliers are Argentina, Lithuania, Brazil, Australia, Poland, Latvia and the United States. If one looks into Uganda's wheat imports data for the past five years, Russia was one of the major wheat suppliers, accounting for an average share of 26% yearly. The suppliers mentioned above have now replaced this.





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Rice

The 2022/23 rice global harvest is forecast to increase marginally by 0.6% from the previous season to 518 million tons. The Asian countries are behind this expected increase in production. Meanwhile, the United States will likely be the only major rice producer registering a decline in the harvest this year. This could be explained by the heatwaves in various regions of the country that have negatively affected agricultural activity over the past couple of months. The 2022/23 global rice consumption will likely remain elevated. And thus, the stocks will likely fall by 0.3% from the 2021/22 season to 179 million tons.

This is reflective of both the potential increase in rice consumption and the fall in the harvest. For rice-importing countries such as Uganda, the potential decline in stocks means prices could move sideways over the next couple of months, and there could be limited room for a further decline in rice prices.

Soybean

Soybean is the only crop whose production forecasts are quite robust. For example, the 2022/23 global soybean harvest is set to reach a new peak of 393 million tons, up 11% year-on-year. The expansion in plantings in the United States, combined with an expected increase in area plantings when the season starts in Brazil, Uruguay, and Argentina, are behind this expected large crop. Notably, one should keep in mind the points we made earlier about the potential La Niña-induced dryness in South America and the heatwave in the United States. These are important weather events that could undermine these positive harvest forecasts. If one applies the current data, the 2022/23 soybeans global stocks will amount to 101 million tons, up by 13% from the previous season. Such an improvement would add pressure not only on soybeans and their product prices but also across the vegetable oils market. The next couple of months will be vital for assessing whether this optimistic picture will hold or change.

THE GLOBAL FEED SITUATION

Since late 2019 the world has been in turmoil facing a series of extraordinary situations impacting spheres no one could have ever imagined. COVID-19 has directly caused an unthinkable human catastrophe, with an estimated 600 million people globally contracting the virus, while 6.5 million deaths were reported at the time of this report.

While COVID-19 changed human lives dramatically, animal diseases had their own dramatic effects on the health of production animals and the global supply of animal protein. The most





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prominent animal diseases are African Swine Fever (ASF) and Highly Pathogenic Avian Influenza (HPAI), and closer to home, Uganda has been struggling to contain and manage Foot and Mouth Disease (FMD) for a number of years.

It is, thus, no surprise that these extraordinary situations spilled over to all aspects and segments of civilization, disrupting normal life as we knew it. More specific, as feed manufacturers, the economic arena where we spend most of our time and effort was seriously disrupted due to global value chain disruptions due to global supply chain disruptions that brought some segments to a grinding halt.

Feed and food, however, remain an essential global service to man and animal, and although being severely disrupted within the value chains and supply chains and having to make changes and adopt new processes and procedures for doing business in the COVID world, the international feed industry kept on supplying the world's animal protein producers with feed.



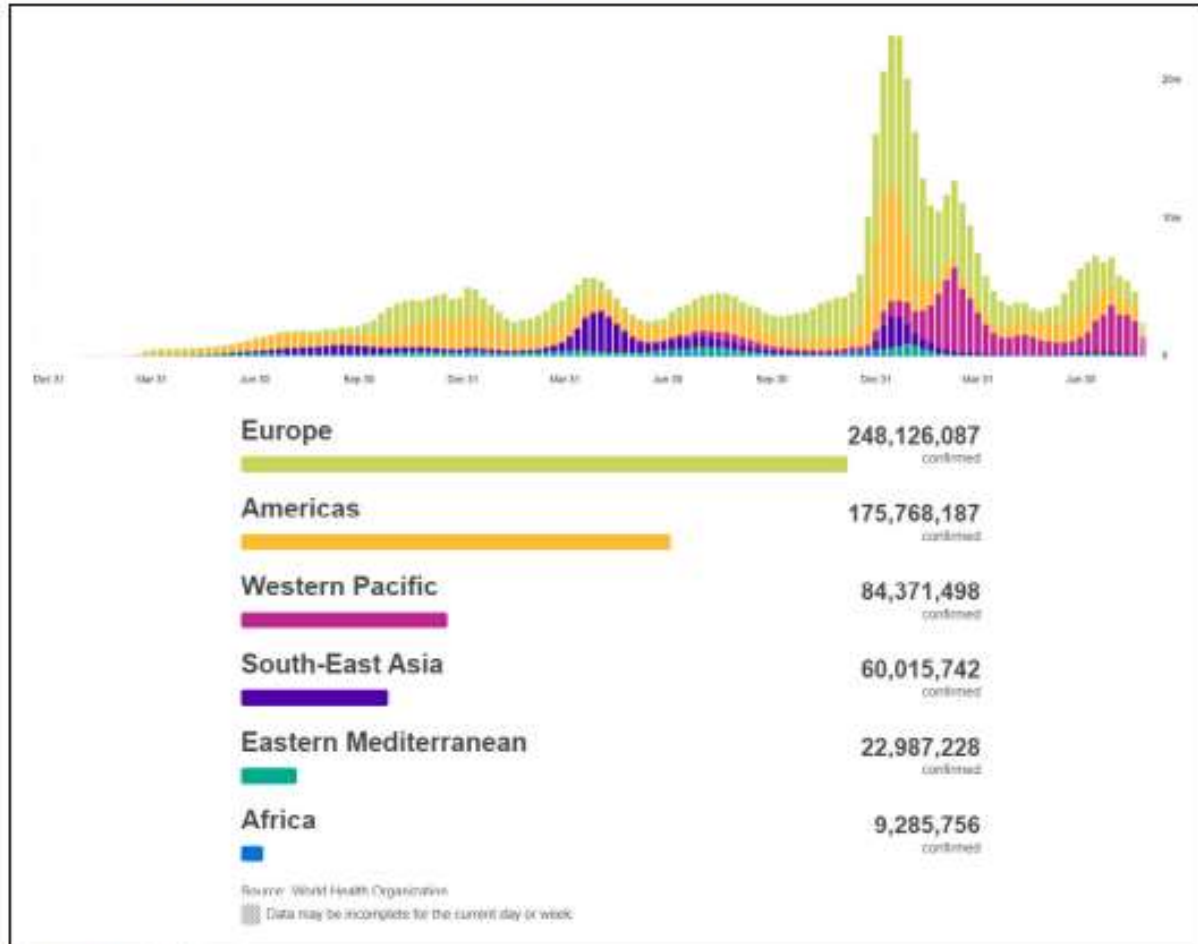
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FIGURE 9: COVID-19 DASHBOARD – SITUATION BY WHO REGION



Source: www.covid19.who.int

Despite a year of challenges, animal feed production grew by 2.3% globally over the past year, with an estimated 1,235.5 million tons produced in 2021 versus 1,207.9 million tons in 2020. Production exceeded expectations in many countries, mainly due to the recovery from COVID-19 lockdowns, with China remaining the world’s largest feed producer since 2020. The global pig sector rebounded from African Swine Fever (ASF) with a feed tonnage increase of more than



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6%. In this recovery, China's role was evident throughout the year while replenishing their pig herds lost to ASF.

The majority of agricultural stakeholders continue to focus on innovation and partnerships, which have proved to be essential to sustaining a business over the last year. If the future of agriculture is considered going forward, there are various reasons to remain positive and optimistic.

The agricultural and agro-processing sectors (of which AFMA in its own right locally and internationally through IFIF) has proven their resilience and energy in the face of challenges such as COVID-19, animal diseases, disruption of value and supply chains. The global feeds sector has also shown its ability and appetite to continue growing, modernizing to remain sustainable in the "New Normal" or whatever comes our way.

Rank	Country	('000) Tons	Rank	Country	('000) Tons
1	China	261,4	14	South Korea	20,7
2	USA	231,5	15	France	19,9
3	Brazil	80,1	16	Argentina	19,4
4	India	44,1	17	Indonesia	18,0
5	Mexico	38,9	18	UK	17,9
6	Spain	35,6	19	Italy	15,1
7	Russia	33,0	20	Netherlands	13,0
8	Turkey	25,3	21	Philippines	12,6
9	Japan	24,8	22	South Africa	12,1
10	Germany	24,5	23	Poland	11,0
11	Thailand	21,6	24	Iran	9,5
12	Canada	21,4	25	Australia	9,2
13	Vietnam	20,9	26	Colombia	8,2
TOTAL FEED PRODUCTION 2021					1 236,5
<i>Source: Alltech Global Feed Survey - 2022</i>					

The top 10 feed-producing countries have increased to an estimated 65% of the global feed market share in 2021, showing an increase of 2%. If this list is expanded to the top 20 producing nations, they combined produce an estimated 80% of the global feed.

The global pig sector rebounded from African Swine Fever (ASF) with a feed tonnage increase of more than 6%, increasing from 286.4 million tons in 2020 to 310.2 tons in 2021. Broiler feed





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production also displayed a 4.9% growth from 334.6 million tons in 2020 to 350.9 tons in 2021.

TABLE E: TOTAL FEED PRODUCTION PER REGION – 2021 ('000 TONS)

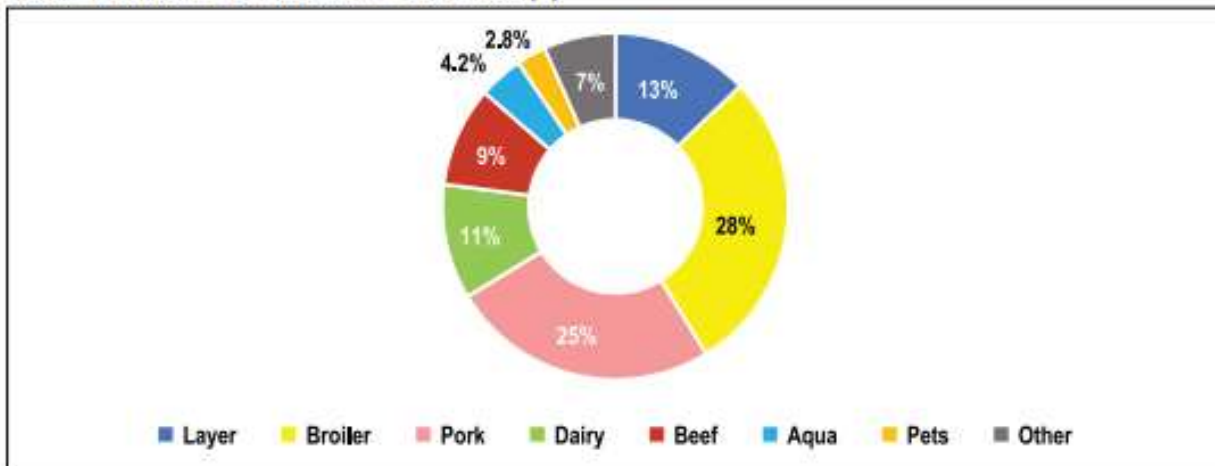
Region	Layer	Broiler	Pork	Dairy	Beef	Aqua	Pets	Other	Total
Africa	8,3	11,7	2,5	5,6	2,5	1,5	0,5	12,2	44,2
Asia-Pacific	75,9	148,3	138,9	25,6	13,7	37,6	3,8	8,0	458,1
Europe	30,5	54,7	75,2	44,4	16,9	4,5	11,6	30,7	266,8
Latin America	23,7	65,9	35,1	21,0	13,4	5,3	7,2	7,9	178,3
North America	15,1	58,2	57,2	28,7	66,8	1,7	10,6	18,3	252,9
Middle East	4,3	8,0	0,0	6,2	1,5	0,5	0,1	4,0	24,5
Oceania	1,0	4,0	1,4	1,5	0,7	0,2	0,5	1,7	10,4
TOTAL	158,7	350,9	310,2	132,9	115,5	51,4	34,2	82,8	1 236,5
% of Total	12,8%	28,4%	25,1%	10,8%	9,3%	4,2%	2,8%	6,7%	

* Latin America includes all Central-American countries and Mexico.

** North America includes USA and Canada.

Source: Alltech Global Feed Survey – 2022

FIGURE 10: GLOBAL FEED PRODUCTION / SPECIE – 2021 (%)



Source: Alltech Global Feed Survey – 2022



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AGRICULTURAL TRADE AND GOVERNMENT POLICY ISSUES

Introduction

The global trade scene has witnessed higher grains and oilseed prices since 2020, both of which are key feed ingredients. These global commodity price increases have increased input and production cost pressures for livestock and poultry farmers. While the farmers were somewhat able to manage the rising feed costs in the past two years, the Russia-Ukraine conflict has exacerbated the rapid price increases to the extent of attracting government intervention. Government exempted feeds and premixes as raw materials used in the production of animal feeds as a way of supporting the agricultural sector through **providing access to affordable feeds and to build capacity in this sector.**

The current season has been unique due to a vast outbreak of foot-and-mouth disease (FMD) as well as continued occurrences of swine flu and highly pathogenic avian influenza (HPAI) outbreaks

The frequent outbreak of FMD risks slowing or even reversing the export drive that the beef industry has embarked on. Weaker exports could also translate to softer domestic beef prices at a time when the feed costs – grains and oilseeds – are elevated. This ultimately adds financial strain on farmers. The financial pressure is not limited to the cattle industry but also to sheep, goats, pigs and poultry.

From a trade agreement perspective, the main highlight is the official kick-off of the African Continental Free Trade Agreement (AFCFTA), which despite efforts to fast-track its launch, will likely not be operational until the end of 2021 due to outstanding negotiations. In other trade agreements of concern, the SACU EFTA reviews are still ongoing – with key issues being centered on key concessions and conditional agricultural offers to unlock further market access. This Chapter of the report outlines some of the key areas of trade negotiations – which include those still under negotiation, those that have been concluded but under review, as well as those that are concluded but requiring constant monitoring to ensure smooth and full implementation.





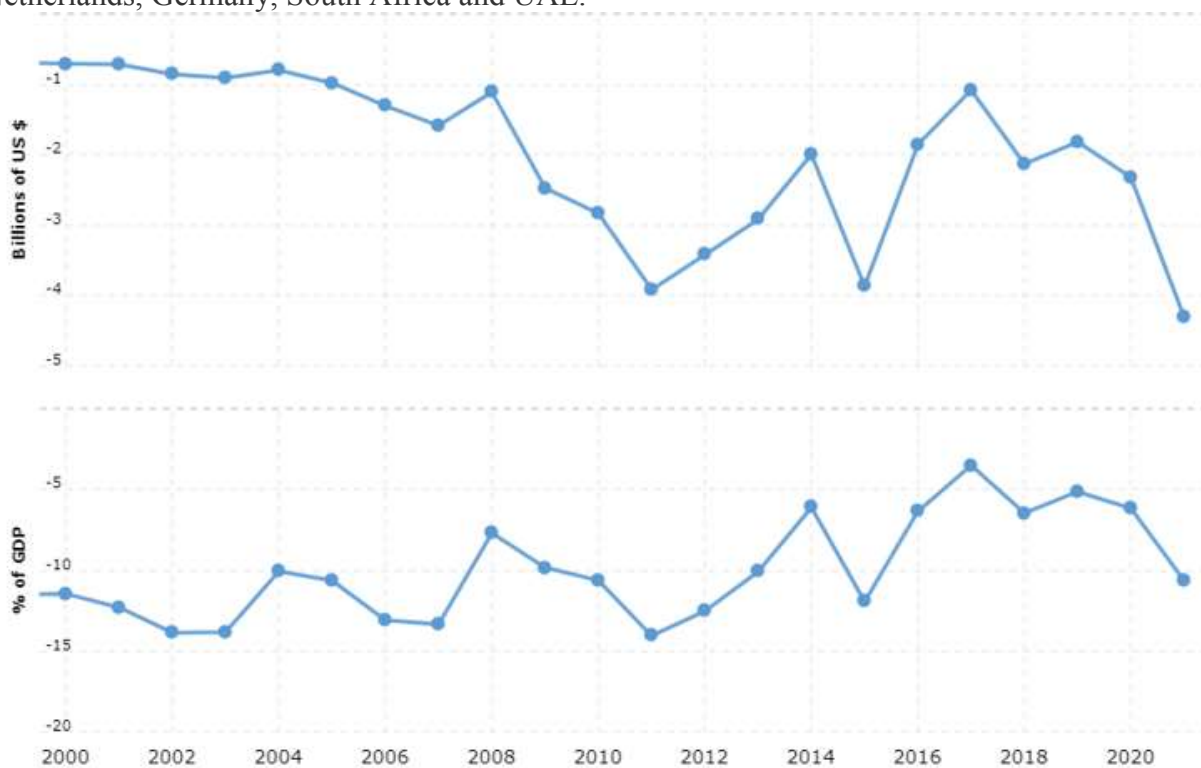
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Uganda's Trade Performance

Uganda's agricultural export growth in 2022 is expected to slow down. Lower production of key crops, animal disease spread and changes in phytosanitary regulations in key markets such as the EU will all weigh on the export activity this year.

Uganda mostly exports agricultural products (80 percent of total exports). The most important exports are coffee (22 percent of total exports) followed by tea, cotton, copper, oil and fish.

Uganda's main export partners are Sudan (15 percent), Kenya (10 percent), DR Congo, Netherlands, Germany, South Africa and UAE.



The figure above shows Uganda's balance of Trade in the last ten years.

- Uganda trade balance for 2021 was **-\$4.30B**, a **85.49% increase** from 2020.
- Uganda trade balance for 2020 was **-\$2.32B**, a **27.62% increase** from 2019.





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- Uganda trade balance for 2019 was **-\$1.82B**, a **14.58% decline** from 2018.
- Uganda trade balance for 2018 was **-\$2.13B**, a **96.97% increase** from 2017.

Factors set to lower agricultural export growth include (i) the spread of animal diseases – which intensified in April 2022 and subsequently led to export restrictions, (ii) flooding in the country, which led to an interruption of ports and key trade routes, (iii) the imposition of EU protectionist measures on exports in July 2022. Beyond these specific challenges, lower domestic output of key crops may also dampen export performance. The decline in crop output doesn't risk domestic food security. But it reduces the available supplies for the export market.

TOTAL LIVESTOCK COMMODITY IMPORT AND EXPORT VALUE 2016-2020

1. Total export and re-export value ('000 USD)

Table 1: Export and re-export trade by value of livestock industry commodities in '000 USD

LIVESTOCK COMMODITY					
	2016	2017	2018	2019	2020
Animal Feeds and Feeding stuffs	155,664	390,286	379,038	34,151	51,759
Live animals	894	118	59	563	14,192
Meat and meat products	643	2,736	2,881	2,455	2,225
Dairy products and eggs	52,359	74,644	78,379	710,502	78,158
Total export Value	209,560	467,784	460,357	747,671	146,334





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Figure 1: Export and re-export trade trend by value for Livestock commodities 2016 – 2020

2. Total Export value ('000 USD)

Table 2: Export trade by value of livestock industry commodities in '000 USD

LIVESTOCK COMMODITY	ANNUAL VALUE ('000 USD)				
	2016	2017	2018	2019	2,20
Animal Feeds and Feeding stuffs	155,664	390,286	379,018	33,902	51,472
Live animals	894	118	59	563	10,165
Meat and meat products	633	2,714	2,851	2,268	2,222
Dairy products and eggs	51,414	74,155	77,352	709,119	76,814
Total export Value	208,605	467,273	459,280	745,852	140,673

3. Total re-export value ('000 USD)

Table 3: re-export trade by value of livestock industry commodities in '000 USD

LIVESTOCK COMMODITY	ANNUAL VALUE ('000 USD)				
	2016	2017	2018	2019	2020
Animal Feeds and Feeding stuffs	-	-	20	249	287
Live animals					4,027
Meat and meat products	10	22	30	187	3





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Dairy products and eggs	945	489	1,027	1,383	1,344
Total export Value	955	511	1,077	1,819	5,661

4. Total import value ('000 USD)

Table 4: Total imports by value of livestock industry commodities in '000 USD

LIVESTOCK COMMODITY	VALUE ('000 USD)				
	2016	2017	2018	2019	2020
Animal Feeds and Feeding stuffs	7,968	11,014	23,438	35,039	52,338
Live animals	3,350	3,902	6,859	5,946	7,254
Meat and meat products	2,170	2,964	3,022	3,128	3,264
Dairy products and eggs	3,260	3,528	6,839	4,932	5,867
Total Import Value	16,748	21,408	40,158	49,045	68,723

Figure 2: Import trend by value for Livestock commodities 2016 – 2020

5. Total Balance of trade ('000 USD)

Table 5: Total balance of trade for livestock industry commodities in '000 USD

LIVESTOCK COMMODITY	ANNUAL VALUE ('000 USD)				
	2016	2017	2018	2019	2020
Animal Feeds and Feeding stuffs	147,696	379,272	355,600	-888	-579





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Live animals	- 2,456	- 3,784	- 6,800	- 5,383	6,938
Meat and meat products	- 1,527	- 228	- 141	- 673	- 1,039
Dairy products and eggs	49,099	71,116	71,540	66,570	72,291
Total	192,812	446,376	420,199	59,626	77,611

6. Total balance of trade (UGX '000,000)

Table 6: Total balance of trade for livestock industry commodities in UGX millions

LIVESTOCK COMMODITY	ANNUAL VALUE (UGX '000,000)				
	2016	2017	2018	2019	2020
Animal Feeds and Feeding stuffs	546,475	1,403,306	1,315,720	- 3,286	- 2,142
Live animals	- 9,087	- 14,001	- 25,160	- 19,917	- 25,671
Meat and meat products	- 5,650	- 844	- 522	- 2,490	- 3,844
Dairy products and eggs	181,666	263,129	264,698	246,309	267,477
Total export Value	713,404	1,651,591	1,554,736	220,616	287,161

Figure 3: Balance of trade trend for Livestock commodities 2016 – 2020

1. Potential and actual concentrate feed balance for Uganda in metric tonnes





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Table 7: National annual concentrate feed balance for monogastric livestock on dry matter (DM), metabolizable energy (ME) & crude protein (CP)

Zone Name	Animal Feed Balance		
	DM (MT)	ME (MJ)	CP (kgs)
Northern Moist Farmlands	- 14,676.6	- 140,159,535.6	12,872,147.2
Northern farming system	1,881,946.9	21,350,779,780.0	736,382,463.6
West Nile farmlands	1,559,448.1	17,245,945,546.0	688,876,270.4
Eastern Highlands	716,720.4	8,877,339,871.7	234,319,631.9
Lake Victoria Crescent	- 103,264.8	- 1,132,399,926.4	- 10,829,563.1
Lake Albert Crescent	7,309,472.5	84,675,282,086.2	921,629,713.8
Western Highlands	699,894.4	7,848,179,106.5	333,696,588.3
Western rangelands	- 45,723.2	- 489,413,141.5	- 14,602,158.2
South western Highlands	- 14,201.9	- 141,874,993.0	- 3,713,675.0
National Total	11,989,615.8	138,093,678,794.0	2,898,631,418.8

NB; All these figures are based on facts from MAAIF.

TRAINING AND SKILLS DEVELOPMENT

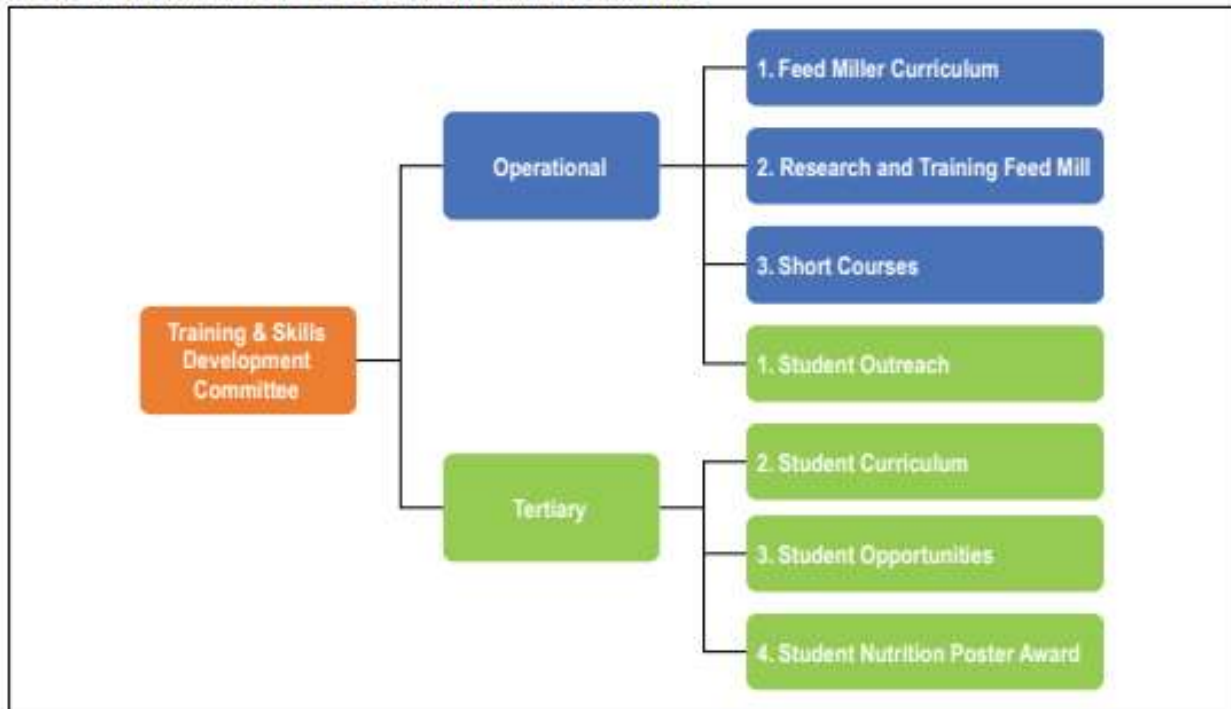
At the beginning of 2022, the executive committee members held a strategic meeting to discuss the future and vision for the Training and Skills Development Committee (TSDC). The main resolution of the meeting was the restructuring of the committee into the Operational Division and the Tertiary Division to allow accurate and efficient effort allocation to the different strategic focus areas.





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FIGURE 12: TRAINING AND SKILLS DEVELOPMENT COMMITTEE STRUCTURE



Operational division.

UGAFMA endorsed Livestock Feed Mill Operator Training Program

The UGAFMA-endorsed learning program will be launched in 2022 as an e-learning program at a number of feed mills. The aim of the program is to establish the participating feed mill as a site of learning. The capacity of specific persons nominated by the feed mill is developed to act as a workplace facilitator/coach to support and evaluate the learners. Successful candidates are issued with an UGAFMA-endorsed certificate of achievement.

A specific initiative will be launched to market the program and address any questions related to the implementation. Members are encouraged to enroll learners in the learning program. They can contact the UGAFMA office or Learning Pathways for more information.





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Feed Miller Occupational Qualification

The review of the current Feed Miller Qualification shall be launched by UGAFMA with financial support from the MAAIF. The main aim of this process is to establish the current UGAFMA-endorsed learning program as a part qualification within the scope of the full Feed Miller Qualification. It is the intention to achieve leadership status for the Feed Mill Operator Part Qualification as well as the Feed Miller Qualification.

Feed Miller Short Course

UGAFMA is planning to run short feed miller courses to train millers on the proper procedure methodology to make feeds. This is going to be a partnership with the MAAIF so as to train as many millers as possible country wide. UGAFMA's Feed Miller Short Course is tailored to provide learners with best practices and skills to optimize feed mill efficiency and produce better results. The course shall cover the following topics:

- Manufacturing of animal feed
- Aspiration batch mixing system
- Size reduction mixing
- Mixing
- Liquid addition
- Hygienist and compacting
- Expansion
- Drying and cooling
- Mechanical conveying

UGAFMA Polytechnic School.

UGAFMA plans to launch the first animal feeds polytechnic school in the region of East Africa. The executive members have deemed it fit and necessary to build a school that will train learners how to properly mix feeds. This is going to be a government initiative under the MAAIF so that it can be subsidized so that many learners can afford the tuition.





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Tertiary division

Student outreach

Every year, UGAFMA endeavors to host at least one student outreach seminar at a university to connect students with UGAFMA members as representatives of the formal work sector. Outreaches shall rotate between the different universities in Uganda to ensure students from across the country get the opportunity to engage and interact with individuals in the feed industry.

Furthermore, as a new addition to the student outreaches, a member exhibition area shall be created to promote the networking of students with Industry. This will result in more students getting the opportunity to network with the value and supply chain members of animal feeds. Outreach seminars will incorporate an exhibition area to allow more UGAFMA members to participate in these events and provide students with ample networking opportunities.

Student curriculum

The Training & Skills Development Committee has been requested to establish a student curriculum sub-committee (SC) to investigate and focus on bridging the perceived gap between the animal nutrition curriculum currently offered by tertiary institutions and the expected knowledge level of newly qualified individuals by Industry. The need to establish an SC is the result of several interactions between AFMA and tertiary institutions.

The role of the SC will be a facilitating function. The SC is engaging with the Heads of Departments of the different tertiary institutions, but no proposed action has come to the fore from tertiary institutions.

Student opportunities

UGAFMA has established a new SC, acting as a facilitator between Industry and students by ensuring continuous information availability of opportunities from our members to qualified candidates for the foreseeable future.

As an Association Partner with MAIIF, all UGAFMA members qualify to advertise any vacancies, training opportunities and internships free of charge. The Executive members will meet at least twice a year to provide a status report and the success of the project. Additionally, the SC will ensure that members remain conscious of this project and continually contribute to the career opportunity database.





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UGAFMA – MARKETING, COMMUNICATION & PROMOTION

Stakeholder engagement

Effective communication is integral to the key objectives of UGAFMA, and UGAFMA is committed to providing meaningful, timely and accurate information to primary stakeholders, as defined below. AFMA utilizes various communication methods to ensure that stakeholder communication is always clear, constructive, and interactive.

Stakeholder Overview

UGAFMA's stakeholders comprise the following partners:

UGAFMA Members

Full Members

Manufacturers of compound animal feed

Associate Members

• Input suppliers and service providers to the animal feed industry, i.e., suppliers/manufacturers of raw materials; – Premixes; – Feed additives and veterinary products; – Commodity traders; – Laboratories; and – Suppliers/manufacturers of equipment

Affiliate Members

• Service providers to the animal feed industry, including analytical services (laboratories); consultation services (nutrition, operational, IT systems); installation services (manufacturing equipment); and other NGOs and affiliated industry associations.

AFMA Structures

- Board of Directors
- Technical Committee
- Regulatory Committee
- Trade Committee
- Training and Skills Development Committee
- Marketing, Communication and Promotions Committee
- Management Information Committee





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Livestock Value Chain

- Uganda Poultry Association
- Red Meat Producers Organization
- Milk Producers Organization
- Uganda Pork Producers Organization
- Uganda Animal Health Association

Grain and Oilseeds Value Chain

- Oilseeds Advisory Committee
- Protein Research Foundation
- Sunflower, Soybean and Soybean Food Forum
- Uganda Grain Laboratory

Government & Governing Bodies

- Ministry of Agriculture, Animal Industry and Fisheries
- Ministry of Trade and Cooperatives
- Ministry of Health
- Uganda Veterinary Association
- Uganda Animal Health Association

Universities and related bodies

- Universities with animal nutrition as a field of study
- Students in Animal Science

Our stakeholder engagement activities are guided by UGAFMA's values and the following main objectives:

- 1) Promoting the development of the animal feeds industry in South Africa and securing the sustainability thereof; and
- 2) Enhancing and supporting a sustainable industry that acts responsible within the food chain by ensuring safe feed for safe food;





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- 3) Lobbying, liaising, supporting and cooperating with Government departments; regulatory decision-makers; parastatals; forums; related associations; value chain partners, international agencies and related role players;
- 4) Providing management information to members, industry and other role players;
- 5) Influencing and managing factors that have a bearing on industry costs;
- 6) Creating awareness among industry role players of threats and opportunities facing the industry and formulating unified action plans accordingly;
- 7) Promoting UGAFMA's image, i.e., "Safe Feed for Safe Food"; and
- 8) Doing all such things that are ancillary to or deemed necessary in the furtherance of the main objectives of UGAFMA.

UGAFMA interacts with stakeholders through various communication channels, such as direct e-mail, quarterly e-newsletters, UGAFMA's website, UGAFMA Matrix quarterly magazine, annual reports, research reports and other publications. In addition, UGAFMA participates in formal and structured engagements, such as meetings, workshops, student outreaches, UGAFMA Symposia and UGAFMA Forums.





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Credits

Data.worldbank.org - GDP growth

www.pwc.com - agriculture stats

www.eeas.europa.eu – jobs and growth stats

Professor Bahati research book at Makerere- soya value chain

Rapid assessment Uganda soybean- soya value chain

UNBS-stats on unemployment and employment

Bank of Uganda- stats on inflation rate

mtic.go.ug - General statistics on the livestock availability and animal feeds in Uganda

Eastafriatrenders.com- Animal feeds in Uganda



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